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Testimony of : Robert A. Sirpenski, First Selectman, Town of Voluntown

Subject: Taxes and Economic Development, S.B. No. 1 (COMM) AN ACT CONCERNING TAX FAIRNESS AND ECONOMIC DEVELOPMENT

Planning and Development Committee Public Hearing

Wednesday, March 18, 11:30 AM

Room 1B

Chairman Senator Osten, and distinguished members of the Planning and Development Committee, for the record my name is Robert Sirpenski and I am the First Selectman for the Town of Voluntown. I am writing to testify and urge that Senate Bill No. 1, An Act Concerning Tax Fairness and Economic Development be amended to provide tax fairness to the citizens of Voluntown with regard to the PILOT program. I am hopeful that the Committee will read and digest the facts and figures presented in my testimony and will realize that PILOT reform for Voluntown is rightfully deserved.

For the past few fiscal years, reform of Connecticut's PILOT program has been the subject of debate within the State Legislature. This bill once again addresses PILOT reform. Although this bill might provide a degree of relief and stability for some towns regarding their PILOT payments, for the Town of Voluntown, it does not. If this bill is passed as is, the economic unfairness that the PILOT program has imposed on the Town of Voluntown for the past twenty years will be permanently cemented in place and the gross inequities that currently exist will continue and the result will be a perpetual adverse economic impact on the residents of Voluntown. I respectfully request that this bill be amended to address these issues by increasing the annual fixed PILOT payment from \$60,000 to an amount that appropriately reflects the true impact that the State's land holdings have on the citizens of Voluntown.

Voluntown is a small rural town in Eastern Connecticut and consequently our voice often gets lost in the legislative chambers. The State of Connecticut is the major stakeholder in the Town with ownership of more than 66% of all land yet the State's PILOT payments only equal 3.9% of total tax payments. On the other hand, local taxpayers pay 96.1% of total taxes while owning

38% of total properties. There is nothing fair about this arrangement and the impact of this unique phenomenon is felt by all of the local taxpayers. There is no land left on which a tax base can be created and as a result, there can be no significant economic development. Consequently, Voluntown struggles to meet and provide very basic services that all other Towns take for granted simply because the citizen's bear a disproportionate share of the tax burden. The consequences of the State not paying its fair share are profound. For example, the Town only has 5 full time employees, including three Public Works employees and the Transfer Station manager. The Town does not have a police force nor can it afford a resident State Trooper. The Town receives police services from Troop E and is the only Town in the Troops E's district without a Resident Trooper or police force.

In reviewing the proposed legislation, there are sections that address very specific situations that exist in several communities. These sections include special provisions for correctional facilities, the John Dempsey Hospital, land affected by the Mashantucket Pequot Tribal Nation, and the Connecticut Valley Hospital in Middletown. In Sec, 2 Section 12-19b (b) the Town of Voluntown is granted a fixed payment in the amount of \$60,000 with respect to the state-owned forest. This provision became law in 2006 and was the Legislature's attempt to rectify the inequity of the PILOT program as it pertains to Voluntown. There are currently 14,651 acres classified as forest land. A \$60,000 payment translates into a payment of \$4 per acre. As a payment in lieu of taxes, there is nothing fair about that amount. Although this provision has increased the Town's PILOT payment, it is a paltry amount when one considers the financial loss of tax revenue that the state –owned forest lands creates. This token \$60,000 payment is the section of the legislation that must be amended. Voluntown should be compensated accordingly by the State for its land holdings

Voluntown's total area consists of 24,323 acres. Of this total, the State of Connecticut owns 15,945 acres, or 65.6% of the Town. Residential and commercial acreage total 8,229 acres or 33.8% of the Town. The remaining 149 acres or .6% consist of tax exempt properties. Please see Table 1 below.

Table 1 – 2014 Grand List

	Acres	% of Town Land
State of Connecticut - State Forest PA 490 Acres	14,651	60.2%
State of Connecticut - MDL-Rec Acres	1,294	5.3%
Residential & Commercial Acres	5,958	24.5%
Resident Owned PA 490 Land	2,271	9.3%
Total Tax Exempt Properties	<u>149</u>	<u>0.6%</u>

Total Town Properties	24,323	100.0%
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Summary

Total State of Connecticut Properties	15,945	65.6%
Total Resident Owned Properties	8,229	33.8%
Total Tax Exempt Properties	<u>149</u>	<u>0.6%</u>
Total Town Properties	24,323	100.0%

The result of the State being the major landowner in the Town has been a reduction of land that is available for commercial development. This serves to eliminate Voluntown's ability to generate tax revenue through commercial development. Over the last several years the State has continued its practice of increasing its open space land holdings and as larger parcels of land become available, the State acquires the properties and adds them to the State Forest. This policy continues to erode the tax base. Consequently, there is virtually no land left on which any type of economic development can take place. The impact on the Town's tax base and the resulting financial consequences of the State's exiting PILOT program and unfairness is dramatic.

The largest taxpayer in the Town of Voluntown is Charles River Laboratories. Charles River operates an avian production facility on 27 acres of land. Ironically, this facility is located at the southern entrance to the Green Falls Recreational area of the Pachaug State Forest. In the most recent fiscal year, the Town received \$99,752 dollars in tax revenue from Charles River. On a per acre basis, this property generated \$3,694 per acre. In comparison, all other residential and commercial land holdings generated tax revenue at the rate of \$579 per acre. The State however, through the PILOT program, paid the Town at the rate of \$13 per acre. The proposed 2015-16 Governor's Budget once again shrinks the Town's PILOT payment. The proposed budget would shrink the PILOT payment to only \$10 per acre. As one can easily see, the PILOT program is not equitable, does not come remotely close to providing an amount that reflects the economic value of the land that the State owns, and severely penalizes Voluntown. See Table 2.

Table 2

	2014-15	2015-16 Proposed	Difference
PILOT	\$87,923	\$79,145	-\$8,778
PILOT - Colleges & Universities	<u>\$60,000</u>	<u>\$60,000</u>	<u>\$0</u>

Total PILOT	\$147,923	\$139,145	-\$8,778
Total State owned acres	14,664		
Revenue per acre	\$10.09	\$9.49	

Charles River Laboratories - Largest
commercial taxpayer – 27 acres
bounded by State Forest Land

Real estate taxes paid – Charles River	\$60,454
Personal Property taxes paid – Charles River	<u>\$39,298</u>
Total Taxes Paid – Charles River	\$99,752
Revenue generated/acre- Charles River	\$3,694.52

All other tax revenue – Residents/Commercial	\$4,746,059
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Residential & Commercial Acres	5,931
PA 490 acres	<u>2,271</u>
Total Taxpayer Acres	8,202
Revenue per acre – Residents/Commercial	\$578.65

Summary	2014-15 Rev/Acre	2015-16
Charles River Laboratories	\$3,694.52	
All Other Taxpayers	\$578.65	
State of Connecticut	\$10.09	\$9.49

In 2009 the State's PILOT payment to the Town was \$206,997. Since that year, PILOT payments have declined steadily with the 2014-15 calculated payment decreasing to \$147,923 with a further decline proposed for 2015-16. This year's PILOT payment represents a decline of 28.5% compared to 2009. As previously discussed, the State's land holdings account for 65.6% of the Town yet the PILOT payments represent only 3.9% of total tax payments. This percentage has declined from 4.4% in 2009. Local taxpayers, however, pay 96.1% of the tax burden yet only own 33.8% of the Town. This illustrates the increasing tax burden on the local taxpayer and the unfairness of the existing PILOT program. The current system simply results in Voluntown

subsidizing the State. The State is the majority stakeholder in the Town but pays the least amount.

The inequity of the existing PILOT program is further magnified by the methodology used to calculate the Town's PILOT payment. The majority of the State's land holdings are assessed as PA490 land. A State agency, the Office of Policy and Management sets the PA 490 values every five years. For forest land, the values are based upon timber value or stumpage prices. These values are significantly reduced and then further reduced when they are subjected to the 70% valuation tax calculation. In 2005 the PA490 value was \$190 per acre for forest land but in 2010 the value was reduced to \$130 per acre. The PILOT program is supposed to value State holdings at the use value of the land. A fundamental flaw exists when the land is used as recreational space yet assessed on timber value. Furthermore, it is a faulty system when one State agency sets the value upon which the State tax payment is based. Changing the assessed value every five years using this methodology also serves to create financial instability.

The Pachaug State Forest is the largest of Connecticut's forests and is promoted as an outdoor recreational area. The State markets and promotes this land as such on its websites and realizes revenue from the sale of hunting and fishing activities and camping fees. The Town, however, realizes no economic benefit but instead bears the burden that forest generates in terms of providing emergency services to the thousands of visitors who use the forest lands for outdoor recreation. The State recently installed a landing site for Life Star in the Green Falls section of the State Forest to deal with the severe injuries that often occur. The Voluntown Department of Emergency Services is taxed to the limit in terms of providing services.

In conclusion, I propose amending this piece of legislation to include tax fairness to the Town of Voluntown. I propose an amendment to the bill to read as follows:

"Notwithstanding the provisions of section 12-19a, section 1 of this act or subsection (a) of this section, there shall be an amount due the municipality of Voluntown, on or before the thirtieth day of September, annually, with respect to any state-owned forest land, an amount equal to the current rate per acre for PA 490 forest land as set by the Office of Policy and Management for all lands classified as PA 490 forest land, multiplied by the number of acres classified as such, which shall be paid from the annual appropriation, from the General Fund, for reimbursement to towns for loss on private tax-exempt property."

The current value for PA 490 land is \$130 per acre. This amount is still well below the real value of the current land use and significantly lower than the \$578 per acre that local taxpayers pay. It pales in comparison to the \$3,695 per acre rate paid by Charles River Laboratories, which is a more accurate rate representation of what Voluntown misses out on in tax revenue due to the high percentage of State ownership. Adding this amendment would serve to provide a degree of fairness and equity to the Voluntown taxpayer. The Town is in a desperate financial situation now and the residents of Voluntown will continue to bear an unfair burden.

The basic principle of the PILOT program is sound in theory with respect to towns with over fifty percent State ownership but the application of the law and the flawed calculation renders intolerable and unfair for the tax paying citizens of Voluntown. With respect to any town in which more than fifty percent of the property is state-owned, the PILOT payment is supposed to be equal to one hundred percent (100%) of the property taxes that would have been paid with respect to such state-owned property. In addition, the qualifying land should be based on the value of its use. The reality is that there is not a single use in the State that a total sum of \$10 per acre will support. This amount is not a payment in lieu of taxes.

In closing I hope that the Committee will realize the inequities that exist and take steps to adjust Voluntown's fixed annual PIOLT payment.

Thank you for your time and consideration.

Sincerely,

Robert A. Sirpenski
First Selectman, Town of Voluntown